

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Investigation into Implementation of Assembly Bill 970 regarding the identification of electric transmission and distribution constraints, actions to resolve those constraints, and related matters affecting the reliability of electric supply.

Investigation 00-11-001
(Filed November 2, 2000)

**ADMINISTRATIVE LAW JUDGE'S RULING
MODIFYING PHASE 5 (GENERIC METHODOLOGY)
AND PHASE 6 (TEHACHAPI TRANSMISSION PROJECT) SCHEDULES**

The purpose of this ruling is to respond to comments regarding the development of a generic methodology for evaluating the economic need for major transmission projects (Phase 5). As discussed further below, I believe that this phase should be deferred until the Independent System Operator (ISO) has employed and validated a network model, and the ISO and one or more respondents have completed a study using the proposed methodology and network model for a specific, high priority transmission project.

Today's ruling also memorializes a change in schedule for the Tehachapi Transmission Project (Phase 6) that I authorized via electronic mail on March 31, 2003.

1. Development of Generic Economic Methodology (Phase 5)

In my ruling dated January 29, 2003, I directed the following:

"After the London Economics report is issued at the end of February, PG&E will organize a workshop among interested parties

to discuss the options for applying the proposed methodology to a specific project (i.e., what model to use and what project) with the goal of holding evidentiary hearings on generic methodology issues in early August, 2003...After the workshop, the ISO, utilities and interested parties should file comments on their recommended approach to applying the generic economic methodology.”¹

A workshop was held on March 14, 2003, and the ISO, Office of Ratepayer Advocates (ORA) and the utilities² filed comments on March 25, 2003. At the workshop, the ISO presented illustrative cases using Path 26 as an example of how the methodology would be applied.

The comments clearly indicate that the ISO needs additional time to more fully develop and apply the methodology described in the London Economics Report. In particular, the ISO states that it requires a more detailed network model for such an effort, and would need to apply the methodology to additional cases.³ Moreover, as ORA points out, the market power model contained in the economic methodology is still apparently under development.⁴ In particular, the most recent presentation of the economic model contains a component for modeling market power that was absent from the August 2002

¹ Administrative Law Judge’s Ruling and Notice of Evidentiary Hearings on Tehachapi Transmission Project (ALJ Ruling), January 29, 2003, p. 3.

² Pacific Gas and Electric Company, San Diego Gas & Electric Company, and Southern California Edison Company are referred to as “the utilities” in today’s ruling.

³ Comments of the ISO on the March 14, 2003 Workshop and the Questions Raised by Judge Gottstein (ISO Comments), March 25, 2003, p. 2. See also Prehearing Conference (January 14, 2003) Reporter’s Transcript, pp. 340-341.

⁴ Comments of ORA on the Generic Methodology Proposed by the California ISO, p. 1.

London Economics version, and is currently under consideration by the Commission in Phase 4 (Path 15 Economic Need).

In its comments, the ISO recommends that the Commission “facilitate a policy discussion on an economic methodology using rulemaking procedures [rather?] than evidentiary hearings at this juncture.”⁵ SCE makes a similar proposal, by suggesting that the proceeding “focus on the evaluation of particular criteria for evaluating the economic need for transmission projects, without attempting to conduct a definitive analysis of Path 26.”⁶

I do not believe that either a policy discussion or evidentiary hearings at this juncture would be productive. This phase of the proceeding was initiated with the understanding that the ISO and one or more respondents would be sponsoring a generic methodology to evaluate the economic need of specific transmission projects, as the result of the many months of stakeholder meetings and workshops conducted by the ISO and London Economics. And, as I discussed in my January 29, 2003 ruling, I do not recommend that the Commission move forward to evaluate a generic methodology unless the Commission and interested parties can evaluate its application to a specific transmission project at the same time.⁷ We are clearly not in the position to conduct such an evaluation. It may take up to a year for the ISO to employ and validate a more detailed network model and finalize its proposed generic

⁵ ISO Comments, p. 1.

⁶ SCE’s Comments on Generic Methodology Proposed by CAISO and London Economics, March 25, 2003, p. 7.

⁷ ALJ Ruling, p. 2.

methodology, particularly with respect to market power modeling issues. Accordingly, this phase of the proceeding is deferred until the ISO has employed and validated a network model, and the ISO and one or more respondents have completed a study using the proposed methodology and network model for a specific, high priority transmission project.

2. Tehachapi Transmission Project (Phase 6)

In response to a request by Oak Creek Energy/Tehachapi Transmission Project, the following revised schedule for Phase 6 has been approved:⁸

Concurrent Opening Testimony:	Tuesday, April 22, 2003
Concurrent Rebuttal Testimony:	Tuesday, May 13, 2003
List of Exhibits, Cross-Examination Estimates, Witness Availability ⁹ and Last Day to Submit Motions to Strike and Discovery Requests	Friday, May 23, 2003
Replies to Motions to Strike	Friday, May 30, 2003
Evidentiary Hearings	Monday, June 9 through Friday, June 13, 2003

Charlotte TerKeurst, who is the Administrative Law Judge recently co-assigned to this proceeding, will preside over Phase 6 evidentiary hearings. Hearings will begin at 10:00 a.m., on Monday, June 9, 2003, in the Commission's Courtroom, State Office Building, 505 Van Ness Avenue, San Francisco, California. For the rest of the week, hearings will begin at 9:00 a.m. and the

⁸ No parties objected to the proposed change in schedule, and I informed all parties of the change by electronic mail on March 31, 2003.

⁹ See Attachment.

intent is to end each of those hearing days at 1:00 p.m., without a lunch break. However, if she can reduce the total number of days of hearings by extending the day until 3:30 p.m. (with a lunch break), Judge TerKeurst may do so.

All discovery disputes should be directed to the Commission's Law and Motion Judge. Judge TerKeurst will rule on motions to strike on the first day of hearings, based on the written filings. There will be no opportunity for oral argument.

Therefore, **IT IS RULED** that:

1. The development of a generic economic assessment methodology for transmission projects (Phase 5) until the California Independent System Operator (ISO) has employed and validated a network model, and the ISO and one or more respondents have completed a study using the proposed methodology and network model for a specific, high priority transmission project.
2. The schedule for the evaluation of the Tehachapi Transmission Project (Phase 6) is revised as follows:

Concurrent Opening Testimony	Tuesday, April 22, 2003
Concurrent Rebuttal Testimony	Tuesday, May 13, 2003
List of Exhibits, Cross Estimates and Witness Availability; Last Day to Submit Motions to Strike and Discovery Requests	Friday, May 23, 2003
Replies to Motions to Strike Due	Friday, May 30, 2003
Evidentiary Hearings	Monday, June 9 through Friday, June 13, 2003

Evidentiary hearings will be held at 10:00 a.m., Monday, June 9, 2003, in the Commission's Courtroom, State Office Building, 505 Van Ness Avenue, San Francisco, California and begin on Monday, June 9, 2003 at 10 a.m. As

discussed in this ruling, for the rest of the week, hearings will begin at 9 a.m. and end at 1 p.m., without a lunch break, unless extending the hours can eliminate the need for an additional day of hearings.

3. All testimony and filings in this proceeding shall be served on the appearances and state service list by both electronic and US mail by the due date, unless otherwise indicated by ruling. Electronic versions of filings should be served by 6 p.m. on the date they are required to be filed. Parties are not obligated to adopt special procedures for serving e-mail addresses that do not work or are not provided on the service list. Although testimony and exhibits are not filed in the Commission's Docket Office, I encourage parties to distribute those documents electronically as close as possible to the time they are placed in the mail. Before filing pleadings or testimony in this proceeding, parties should make sure to obtain the most recent service list from the Commission's Process Office (and posted on the Commission's website). Electronic mail should be sent to me at meg@cpuc.ca.gov and to Judge TerKeurst at cft@cpuc.ca.gov. Specific procedures for serving testimony and preparing exhibits for Phase 6 of this proceeding are presented in the Attachment.

Dated April 10, 2003, at San Francisco, California.

/s/ ANGELA K. MINKIN for

Meg Gottstein
Administrative Law Judge

Attachment

PROCEDURES FOR SERVING TESTIMONY AND PREPARING EXHIBITS FOR PHASE 6 (TEHACHAPI TRANSMISSION PROJECT)

1. Service of Exhibits

All prepared written testimony should be served via US mail and electronically on all appearances and state service on the service list, as well as on the Assigned Commissioner's office and on the Assigned ALJ. Parties are not obligated to adopt special procedures for serving e-mail addresses that do not work or are not provided on the service list. Parties should serve testimony electronically as close as possible to the time that the testimony is placed in the mail.

Prepared written testimony should NOT be filed with the Commission's Docket Office.

One copy of prepared written testimony should be sent to Judge Charlotte TerKeurst electronically at cft@cpuc.ca.gov and a hard copy should also be sent to her at the California Public Utilities Commission, Room 5021, 505 Van Ness Avenue, San Francisco, California 94102.

2. Identification of Exhibits in the Hearing Room

Each party sponsoring an exhibit should, in the hearing room, provide **one copy to the ALJ and one to the court reporter**, and have sufficient copies available for distribution to parties present in the hearing room. Exhibits shall comply with Rule 70 of the Commission's Rules of Practice and Procedure. **The upper right hand corner of the exhibit cover sheet should be blank for the ALJ's exhibit stamp.** Please note that this directive applies to cross-examination exhibits as well. If there is not sufficient room in the upper right hand corner for an exhibit stamp, please prepare a cover sheet for the cross-examination exhibit.

3. Cross-examination With Exhibits

Any exhibit to be used for cross-examination purposes should be served in advance on counsel for the party to be cross-examined, or at worse, served on the day of hearings before they commence (service may need to be made

electronically, by overnight mail or facsimile). This cuts the amount of hearing time spent on foundational matters. While some potential cross-examination exhibits may only come to the parties' attention after the hearing has started, and short notice may be necessary in some instances, the parties are strongly encouraged to cooperate in observing this suggested procedure and not to use "surprise" as a litigation strategy.

4. Each party should provide the following information via US mail and electronic delivery to the assigned ALJ at the addresses listed above **no later than five (5) working days (or otherwise scheduled by ALJ ruling)** prior to the start of evidentiary hearings:

- a. A list of exhibits that it intends to offer, in the approximate order they wish to have them introduced. The list should include the name of the witness and the subject or title of the document.
- b. An estimate of direct and cross-examination time that the party needs, broken down by party and by witness.
- c. A list of any schedule constraints affecting any of its witnesses.

Copies of this information should also be sent electronically to all appearances and the state service list in this proceeding. Service by US mail is optional.

5. Corrections to Exhibits

Generally, corrections to an exhibit should be made in advance and not orally from the witness stand. Corrections should be made in a timely manner by providing new exhibit pages on which corrections appear. The original text to be deleted should be lined out with the substitute or added text shown above or inserted. Each correction page should be marked with the word "revised" and the revision date.

Exhibit corrections will receive the same number as the original exhibit plus a letter to identify the correction. Corrections of exhibits with multiple sponsors will also be identified by chapter number. For example, Exhibit 5-3-B is the second correction made to Chapter 3 of Exhibit 5.

(END OF ATTACHMENT)

CERTIFICATE OF SERVICE

I certify that I have by mail this day served a true copy of the original attached Administrative Law Judge's Ruling Modifying Phase 5 (Generic Methodology) and Phase 6 (Tehachapi Transmission Project) Schedules on all parties of record in this proceeding or their attorneys of record.

Dated April 10, 2003, at San Francisco, California.

/s/ JEANNIE CHANG

Jeannie Chang

N O T I C E

Parties should notify the Process Office, Public Utilities Commission, 505 Van Ness Avenue, Room 2000, San Francisco, CA 94102, of any change of address to insure that they continue to receive documents. You must indicate the proceeding number on the service list on which your name appears.

The Commission's policy is to schedule hearings (meetings, workshops, etc.) in locations that are accessible to people with disabilities. To verify that a particular location is accessible, call: Calendar Clerk (415) 703-1203.

If specialized accommodations for the disabled are needed, e.g., sign language interpreters, those making the arrangements must call the Public Advisor at (415) 703-2074, TTY 1-866-836-7825 or (415) 703-5282 at least three working days in advance of the event.

